

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

HOMELESS ASSISTANCE GRANTS

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
				(Dollars in Thousands)
<u>Program Level: (Obligations)</u>				
Homeless Assistance Grants	\$998,907	\$2,530,635	\$1,129,500	-\$1,401,135
Shelter Plus Care Renewals	<u>\$24,100</u>	<u>\$75,680</u>	<u>...</u>	<u>-\$75,680</u>
Subtotal	\$1,023,007	\$2,606,315	\$1,129,500	-\$1,476,815
<u>Appropriations: (Enacted or Proposed)</u>				
Homeless Assistance Grants	\$1,025,000	\$1,122,525	\$1,129,500	+\$6,975
Rescission	-\$2,255	...	...	...
Shelter Plus Care Renewals	\$100,000	...	...	...
Rescission	<u>-\$220</u>	<u>...</u>	<u>...</u>	<u>...</u>
Subtotal	\$1,122,525	\$1,122,525	\$1,129,500	+\$6,975
<u>Budget Outlays</u>				
Homeless Assistance Grants	\$964,958	\$1,061,733	\$1,199,463	+\$137,730
Shelter Plus Care Renewals	<u>\$1,876</u>	<u>\$45,897</u>	<u>\$52,007</u>	<u>+\$6,110</u>
Subtotal	\$966,834	\$1,107,630	\$1,251,470	+\$143,840

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes \$1.13 billion for Homeless Assistance, including \$1.109 billion for Homeless Assistance Grants, \$1 million for the Interagency Council on the Homeless, and \$19.1 million for technical assistance and homeless management information systems. Of this amount, \$1.5 million will be transferred to the Working Capital Fund for homeless assistance projects, \$11 million will be for homeless management information systems and \$6.6 million will be for technical assistance.

The total requested funding of \$1.13 billion provides approximately \$7 million over the enacted 2002 level. The request supports the Department's commitment to end chronic homelessness in 10 years, including an emphasis on increasing the supply of permanent housing for the chronically homeless. The request is based on a legislative proposal to consolidate three competitive homeless assistance programs to provide more consistent funding and eliminate the burden of administering the current competitive program.

The funding request also reflects HUD's increased emphasis on our core mission of providing housing with attention given to coordinating HUD's efforts with the mainstream programs of other Departments. HUD will continue to review the current structure of the homeless programs and a more streamlined system of delivery to continue to sort out different agencies' responsibilities in this area.

The mission of HUD's homeless assistance programs is to help homeless individuals and families break the cycle of homelessness and move to permanent housing and self-sufficiency. The Continuum of Care (CoC) strategy effectively delivers a broad range of housing and services needed to move people out of homelessness. The process encourages

the creation of linkages to other housing and community development programs (public housing, Section 8, Community Development Block Grant (CDBG), HOME block grant, Housing Opportunities for Persons with AIDS (HOPWA) and State and local housing programs), as well as to mainstream social service programs critical to the success of homeless assistance efforts (Medicaid, State Children's Health Insurance Program, Food Stamps, Temporary Assistance for Needy Families (TANF) and services funding through the Mental Health and Substance Abuse Block Grant, Workforce Investment Act, and the Welfare-to-work grant program). HUD is working with HHS to help increase access to HHS mainstream programs so that an increasing portion of HUD homeless funds can be used for housing.

The fiscal year 2003 funds will be used for renewing a significant portion of the vital housing and supportive services projects already established, as well as for providing funding for new projects, particularly permanent supportive housing, that will fill housing and services gaps in local communities. Grant funds will provide support for an estimated 55,000 transitional beds and permanent beds in new and renewal projects. The demand for renewal assistance—to ensure that homeless persons are not forced back onto the streets and into emergency shelters—is significant and growing. For instance, \$555 million (59 percent) of the \$948 million awarded in 2001 was for renewal projects. Just 3 years earlier in 1998, only \$359 million (50 percent) of the \$723 million awarded was for renewals.

The 2002 Appropriations Act requires a 25 percent match for all HUD-funded services, which HUD supports. With this match requirement and HUD's emphasis that non-HUD McKinney resources also be used to address homelessness, the HUD funds are expected to leverage other public and/or private funds at a 1:1.5 ratio, or more. These requirements will be continued in fiscal year 2003. HUD will also continue to reserve 30 percent of the total funding for permanent housing projects which is a key element to eliminating chronic homelessness.

HUD remains unable to meet the significant demand for either housing or supportive services for homeless persons. In each year since the McKinney-Vento Act programs were created, there has been a gap between requested and awarded homeless assistance grants. The \$948 million awarded during the 2001 competition represented only 71 percent of the funds requested and only 62 percent of the projects requesting assistance. Furthermore, these numbers do not take into account the number of agencies who did not submit grant proposals, knowing their programs would not likely be funded given the keen competition for limited funds.

The Budget requests \$1 million for the Interagency Council on the Homeless (ICH) which will allow the Council to carry out its work. The ICH will carry out specific functions as directed by the Congress, including quantifying the number of mainstream program participants who become homeless, how mainstream programs prevent homelessness, and how they assist homeless people.

This Budget also requests \$19.1 million for technical assistance and homeless management information systems. Included in this amount is \$6.6 million for technical assistance, \$1.5 million for the Working Capital Fund and \$11 million for Homeless Management Information Systems. The \$1.5 million to be transferred to the Working Capital Fund will be used for CPD programs/system development and enhancements. Funding for technical assistance to grantees is critical given the growing number of awarded organizations, many of which are relatively small non-profit organizations. In addition, these funds are needed to respond to the various mandates contained in Congressional reports specifically related to homeless management information systems. In particular, HUD is charged with assisting communities in developing unduplicated counts of homeless persons and generating client-level data nationally by 2004.

EXPLANATION OF INCREASES AND DECREASES

This Budget proposes \$1.13 billion for Homeless Assistance in fiscal year 2003, including \$1.109 billion for homeless Assistance Grants, \$1 million for the Interagency Council on the Homeless and \$19.1 million technical assistance and homeless management information systems, including \$1.5 million for the Working Capital Fund, \$6.6 million for technical assistance and \$11 million for management information systems. An increase

of \$7 million in budget authority is requested between fiscal year 2002 and fiscal year 2003. Outlays will increase by \$144 million, reflecting the spendout of recent increases in appropriation levels.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The Supportive Housing, Shelter Plus Care, Section 8 Moderate Rehabilitation (Single Room Occupancy), and Emergency Shelter Grants homeless assistance programs are authorized under the McKinney-Vento Homeless Assistance Act of 1987, as amended.

2. Program Area Organization. Reducing homelessness is one of HUD's top priorities. Comprehensive community-based efforts are necessary to address homelessness. The Consolidated Plan serves as a community's basis for applying for homeless assistance, identifying its needs and inventory, assessing the needs of homeless people, and linking efforts to address homelessness together with other housing and community development resources. Under the Continuum of Care strategy, localities and States are encouraged to develop and maintain assistance systems which integrate programs and services for the homeless or potentially homeless. These programs facilitate the effective and efficient management of HUD's homeless assistance programs by:

- reducing and preventing homelessness by supporting the creation and maintenance of community-based, comprehensive systems dedicated to returning families and individuals to self-sufficiency;
- assisting States and local governments, in partnership with private nonprofit service providers, to use homeless funding more efficiently and effectively;
- advancing the goal of meeting the needs of the homeless population through mainstream programs and establishing continuum of care systems necessary to achieve that goal; and simplifying and making more flexible the provision of Federal homeless assistance;
- enhancing the efficient and equitable distribution of homeless assistance;
- reducing the Federal role in local decision making for homeless assistance programs; and
- reducing the costs to governmental jurisdictions and private nonprofit organizations in applying for and using assistance.

The Department is proposing a legislative proposal which will restructure the program with the goal of further streamlining the delivery of services.

The 2001 survey of 27 major cities by the U.S. Conference of Mayors indicated that requests for emergency shelter increased by 13 percent; with 81 percent of the cities reporting an increase. An average of 37 percent of requests for emergency shelter by homeless people overall and 52 percent of requests by homeless families are estimated to have gone unmet during the last year.

Clearly, the need for homeless assistance remains acute. Of the total homeless population--an estimated 600,000 persons are literally homeless on any given night--some suggest that the percentage of total homelessness represented by families with children now exceeds 30 percent, underscoring the need for stable, long-term housing with access to day care, decent education, and other family support. Some homeless persons suffer from mental illness or substance abuse, and need a variety of services beyond immediate shelter. HUD's Continuum of Care system, which coordinates Federal, State and local resources and services for homeless people, assists a growing number of homeless families and individuals in moving into transitional and permanent housing. Nevertheless, there remains a significant shortfall between the current scale of the homeless population's need for assistance and the level of resources that are available to be addressed by development of the longer-term responses which will focus on leveraging the resources that are necessary.

The CoC system addresses the issues that lead to homelessness through a community-based process that provides a comprehensive response to the different needs of homeless individuals and families. A comprehensive and coordinated housing and service delivery approach helps communities plan for and provide a balanced response to homelessness. Communities establish cost-effective continuums that identify and fill gaps in housing and services that are needed to move homeless families and individuals into permanent housing. The CoC system attempts to serve the specific needs of all homeless sub-populations within a particular community. It is an inclusive process that is coordinated with non-profit organizations, State and local governmental agencies, housing developers and service providers, private foundations, local businesses and the banking community, neighborhood groups, and homeless or formerly homeless persons.

A typical CoC would include components such as outreach and assessment to identify an individual's or family's needs and connect them to appropriate facilities and services; immediate shelter as a safe, decent alternative to the streets; transitional housing with appropriate supportive services, such as job training, job placement, child care, substance abuse treatment, mental health services and instruction in independent living skills; and permanent housing or permanent supportive housing. With a CoC approach, the community can design a strategy that works best to assist homeless persons and families achieve permanent housing and self-sufficiency. The CoC model is based on the understanding that homelessness is not caused merely by a lack of shelter, but involves a variety of unmet needs--physical, economic, and social.

HUD will continue to foster and support CoC systems in communities with significant homeless populations throughout the United States. This has been accomplished by including such a strategy within the framework of the Consolidated Plan and by encouraging joint applications and coordinated approaches when issuing Notices of Funding Availability for homeless assistance. The U.S. Conference of Mayors released an annual survey on "Hunger and Homelessness in American Cities" in December 2001. Many of the cities surveyed reported that the Federal Government's CoC policy has made a difference in their community's effort to address homelessness. Some examples of what some city officials said are:

- Boston. The process resulted in the prioritization of funding for underserved populations and created complimentary and non-duplicative services.
- Chicago. The increased resources have assisted the city with creating more permanent housing for the homeless.
- Seattle. Housing stability remains the city-primary goal and the CoC is the city's major tool to successfully achieve that goal.

a. Program Purpose. HUD's homeless assistance programs provide Federal support to one of the nation's most vulnerable populations. These grants assist localities in establishing systems that can address the needs of different homeless populations while providing coordinated CoC systems that ensure the support necessary to help those who are homeless attain permanent housing and move toward self-sufficiency.

b. Eligible Applicants/Participants. While eligibility for the individual programs varies, in general, eligible applicants/participants are States, units of local government, nonprofit organizations and public housing authorities. Broad community participation in the development and implementation of a homeless strategy is encouraged to facilitate comprehensive, effective and coordinated approaches to homelessness.

c. Eligible Activities. Recipients are authorized to carry out activities to benefit homeless individuals and families, including acquisition, rehabilitation, new construction, operations, real property leasing, tenant assistance, supportive services, and administration. These activities support the following types of projects: Emergency Assistance (prevention, outreach and assessment, and emergency shelter); Safe Haven Housing; Transitional Housing; Supportive Services Only; Permanent Housing and Permanent Supportive Housing for Homeless Persons with Disabilities; Single Room Occupancy Housing;

or other projects that the Secretary determines will further the purposes of this Program.

d. Program Allocation. Emergency Shelter Grants are distributed by formula; all other program funds are distributed by competition. This Budget includes a legislative proposal to consolidate three competitive homeless assistance programs to provide more consistent funding and eliminate the burden of administering the current competitive programs. The Budget also proposes that \$19.1 million be appropriated for technical assistance and homeless management information systems support.

Until 1998, technical assistance was available only for the Supportive Housing Program. HUD's 1999, 2000 and 2001 proposals and Congress's agreement to expand the availability of technical assistance will enable grantees of all homeless assistance programs to better handle and overcome a variety of problems that hinder successful completion and implementation of projects. These include difficulties with capital financing for initial acquisition and rehabilitation; resistance from residents to homeless shelters in their neighborhoods; and coordination of project development, project operations, and ongoing service delivery. Technical assistance improves the ability of grantees to develop and maintain CoC systems and to effectively and efficiently provide assistance to those in need.

The 1999 Appropriations Act and subsequent Appropriation Acts directed and authorized the use of funds by HUD to require client-level information from all jurisdictions and grantees, aggregate this and other data, and work with a representative sample of jurisdictions to collect information on the unduplicated number of clients serviced and the disposition of the clients exiting homeless programs. A total of \$11 million, a sizeable portion of the \$19.1 million requested for technical assistance and homeless management information systems, is intended to be used to help complete these various mandated initiatives.

RENEWAL ESTIMATES

Pursuant to the 2002 Appropriations Conference Report, the Department is providing, as part of the 2003 Budget Justifications, projected costs for renewing projects funded through the Supportive Housing Program—Permanent Housing for Persons with Disabilities (SHP-PH) component and the Shelter Plus Care Program. As required, projections for both programs are provided for each of the next 5 years. To appreciate the basis of these estimates, the following caveats are provided.

Shelter Plus Care (S+C) Renewals

The estimates of total 1-year Shelter Plus Care renewal needs as shown below are based primarily on two factors: (a) the amount of new S+C awards made 5 years prior to the year for which renewal demand is being estimated (the term of new S+C projects by law is 5 years) and (b) HUD's experience regarding the percentage of S+C grants eligible to seek renewal that actually seek renewal in any given year. Additionally, a 3 percent annual adjustment is added based on anticipated annual increases in average Fair Market Rents.

On the basis of this approach, the following chart displays the total estimated S+C renewal need for the year in which the term of the S+C projects needing renewal actually expire. One-year renewal terms are assumed:

<u>Fiscal Year</u>	<u>Estimated S+C Renewal Need</u>
2003	\$118 million
2004	\$194 million
2005	\$263 million
2006	\$349 million
2007	\$446 million

Supportive Housing Program (Permanent Housing for Persons with Disabilities component).

While estimating future renewal costs for Shelter Plus Care is difficult, projecting the cost of renewal SHP-PH renewals is even more daunting.

First, the law allows for varying SHP grant terms 1, 2 or 3 years are used. As such, some grantees will be requesting to renew an SHP-PH project for 1 year, whereas other grantees will opt for a 2- or 3-year grant period. With over 450 communities receiving HUD McKinney competitive funds and over 6,000 currently operating projects, HUD cannot know with any certainty how many funds in the future will be requested for each grant term in order to estimate future renewal demand. However, for purposes of this requirement, HUD assumes that from 2003 through 2007, an increasing share of SHP-PH funds, especially for renewals, will be for 1-year terms. This is assumed because HUD believes that communities will continue to request new permanent housing funding to meet the statutory requirement that 30 percent of Homeless Assistance Grants be awarded to permanent housing projects. A related complication is that from 2003 through 2007, new SHP-PH project funding will also be requested to meet the 30 percent requirement. Many new projects develop new housing through acquiring, rehabilitating, and newly constructing facilities. Their progress often varies, depending on Not-In-My-Backyard (NIMBY) concerns, financing, etc. As the SHP grant term does not begin until the facility is finished and clients begin to be served, any delays can directly impact when a new grant will need to be renewed. Moreover, grantees often but not always renew projects for a shorter term than the original grant to comply with local planning process, further complicating the ability to accurately estimate renewal demand.

Second, these estimates assume that for 2004 through 2006 funds will be available for Shelter Plus Care renewals. If these additional funds are not provided, then a large share of HAG funds will necessarily be devoted to renewing SPC renewals and therefore fewer funds would be available for SHP, including SHP-PH new projects.

Third, unlike SPC, there are numerous eligible SHP activities, some of which are renewable (e.g., operating costs) and some of which are not (e.g., acquisition). HUD cannot know in advance to what extent new SHP-PH projects will be funded for non-renewable activities in order to accurately reflect the actual amount of the grant that is renewable. HUD assumes that, based on the results of 2001, over two-thirds of new SHP-PH funds will be renewed. Depending on the types of new SHP-PH projects submitted and awarded, this percentage may not be accurate.

Notwithstanding these various cautionary notes, HUD estimates the following SHP-PH renewal demand for each of the next 5 years:

<u>Fiscal Year</u>	<u>Estimate SHP-PH Renewal Needs</u>
2003	\$119 million
2004	\$158 million
2005	\$208 million
2006	\$279 million
2007	\$324 million

STATUS OF FUNDS

1. Authorization. Homeless assistance programs are authorized under the McKinney-Vento Homeless Assistance Act of 1987, as amended.

2. Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year for the Homeless Assistance Grants and Shelter Plus Care Renewals:

<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>ESTIMATE</u>
<u>2001</u>	<u>2002</u>	<u>2003</u>
(Dollars in Thousands)		

Homeless Assistance Grants

Unobligated balance, start of year	\$1,340,356	\$1,483,791	...
Appropriation:			
Homeless Assistance Grants	\$1,022,745	1,122,525	\$1,129,500
Shelter Plus Care	99,780	...	...
Renewals			
Recovery of Prior Year			
Amounts	43,659	...	...
Offsetting Collections			
Amounts	258	...	...
Total Available	2,506,798	2,606,316	1,129,500
Obligations incurred	-1,023,007	-2,606,316	-1,129,500
Unobligated balance, end of year	1,483,791	...	...

b. Obligated Balances. The status of obligated balances for the Homeless Assistance Grants and Shelter Plus Care Renewals is as follows:

	ACTUAL 2001	ESTIMATE 2002	ESTIMATE 2003
	(Dollars in Thousands)		
Obligated balance, start of year	\$2,510,157	\$2,522,413	4,021,098
..			
Obligations incurred	<u>1,023,007</u>	<u>2,606,315</u>	<u>1,129,500</u>
..			
Subtotal	3,533,164	5,128,728	5,150,598
..			
Outlays	-966,834	-1,107,630	-1,251,470
..			
Adjustment in unexpired accounts	<u>-43,917</u>	...	...
..			
Obligated Balance, end of year	2,522,413	4,021,098	3,899,128
..			

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

Some of the indicators for the Homeless assistance program have been revised to better reflect how the funds are being utilized and the homeless population assisted. A new indicator has been added to track the number of people moving from any HUD competitively funded McKinney-Vento project to any type of permanent housing. Pursuant to the new Goals and Objectives of the Department, all resources from the Homeless Assistance Grants program are dedicated to Goal 5, effectively addressing the challenge of homelessness.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full Annual Performance Plan document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 5: Effectively address the challenge of homelessness.			
Discretionary BA (Dollars in Thousands)	\$1,006,905	\$1,006,905	\$1,013,162
FTE			

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Headquarters	30	30	28
Field	118	122	122
Subtotal	148	152	150
Strategic Objective 5.1: End chronic homelessness in ten years.			
Indicator: At least 25,000 formerly homeless persons move into HUD McKinney-Vento funded permanent housing.	NA	20,000	25,000
The number of homeless individuals declines by up to 50 percent by 2005.	NA	NA	NA
The number of homeless individuals declines by up to 50 percent by 2005.			
Strategic Objective 5.2: Help homeless individuals and families move to permanent housing.			
Indicator: At least 29,000 homeless persons will leave HUD transitional housing and move to permanent housing.	NA	NA	29,000
Indicator: At least 115,000 people move into HUD-funded transitional housing.	N/A	115,000	115,000
Indicator: At least 19,000 homeless persons become employed while in HUD's homeless assistance project.	NA	NA	19,000
Indicator: The number of communities with Homeless Management Information Systems increases by 50.	12	25	75
At least 34,000 homeless persons served by HUD-funded supportive services programs will move to permanent housing.	NA	NA	34,000
Strategic Objective 5.3: Expand efforts to prevent households from becoming homeless.			
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	\$115,620	\$115,620	\$116,338
FTE			
Headquarters	3	4	3
Field	14	14	14
Subtotal	17	18	17
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			

Homeless Assistance Grants

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Streamline Consolidated Plan	NA	NA	NA
FTE Total	165	170	167

NA = Not Applicable